

PUBLIC DISCLOSURE

March 22, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BERKSHIRE BANK

**24 NORTH STREET
PITTSFIELD, MA 01201**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **BERKSHIRE BANK** (or the "Bank") prepared by the Division, the institution's supervisory agency, as of **March 22, 2005**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

Berkshire Bank was evaluated according to the CRA Large Institution Examination Procedures, involving three tests: the Lending Test, the Investment Test and the Service Test.

Under the Lending Test, Berkshire Bank is assigned an overall rating of Outstanding. Approximately, 98.4 percent of the Bank's mortgage loans and 94.7 percent of the Bank's small business loans were made in the assessment area. Lending was well distributed throughout the assessment area. The Bank's distribution of home mortgage and small business loans among the various census tracts was good. The Bank's distribution of its home mortgage loans among borrowers of different income levels was very good given the assessment area's demographics and the comparison of all other Home Mortgage Disclosure Act ("HMDA") reporting lenders within the assessment area. The majority of the Bank's small business lending went to businesses with revenues less than one million dollars with loan amounts under \$100,000. Berkshire Bank's community development lending was excellent especially considering the strong level of competition within the assessment area. The Bank's use of innovative and flexible lending products is considered excellent. In addition, the Bank's fair lending performance was found to be excellent at this time.

Based on the review conducted under the Investment Test, the Berkshire Bank's investment performance is rated Outstanding. Berkshire Bank has provided an excellent level of qualified investments in the form of charitable contributions to community organizations and CRA targeted mortgage-backed securities. These qualified investments demonstrate the Bank's responsiveness to its assessment area's credit and community development needs.

Under the Service Test, Berkshire Bank is assigned an overall rating of Outstanding. The Bank has demonstrated an excellent level of service to its assessment area. The Bank's delivery systems are readily accessible to all portions of the assessment area.

GENERAL INFORMATION (CONTINUED)

The Bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel routinely meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Berkshire Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Berkshire Bank is a \$1.3 billion state-chartered bank headquartered in Pittsfield, Massachusetts. Berkshire Bank was formed in 1997 when Great Barrington Savings Bank and Berkshire County Savings Bank merged. Berkshire Hills Bancorp, Inc. ("BHB") is the holding company for the Bank. BHB was established in June 2000 with the conversion of Berkshire Bank's mutual holding company, Berkshire Bancorp, to stock form.

Berkshire's active subsidiaries include Gold Leaf Investment Services, Inc., which was formed in 2001 for the purpose of offering a full range of securities brokerage services; and Gold Leaf Insurance Agency, Inc., which includes insurance products such as auto, home, business and life coverage. In May 2001, Berkshire Hills Technology, Inc., ("BHT") was established to invest in, own, and sell all type of business enterprises including, but not limited to, corporations, and limited liability companies. In June 2001, BHT along with a consortium of five other banks invested in EastPoint Technologies, LLC ("EastPoint") located in Bedford, New Hampshire. EastPoint is a software and data processing provider for financial institutions.

As of the December 31, 2004, the Federal Deposit Insurance Corporation ("FDIC") Quarterly Call Report shows Berkshire Bank's total asset size was \$1.3 billion. The Bank's total loan size was \$829,232 with a loan-to-asset ratio of 63.3% and total deposits were \$853,215 with a loan-to-deposit ratio of 97.2%.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	235,642	28.4%
Commercial Properties	208,138	25.1%
Commercial and Industrial	150,503	18.1%
Consumer Loans	125,711	15.2%
Equity Lines of Credit	54,157	6.5%
Construction and Land Development	38,701	4.7%
Multifamily (5 or more dwellings)	16,380	2.0%
Total Gross Loans	829,232	100.0%

Source: December 31, 2004 Report of Condition

Residential lending is the Bank's primary lending and represents 28.4 percent of the total loans. Berkshire Bank is primarily a portfolio lender but it also sells loans on the secondary market. In 2003, the Bank sold 10 loans totaling \$1 million. In 2004, the Bank sold 84 loans totaling \$11.7 million.

Berkshire Bank continues to offer home mortgage financing and refinancing through fixed and variable rate products, as well as construction loans, home equity loans and lines of credit. The Bank also offers a wide range of consumer loans such as automobile, personal, and home improvement loans. Berkshire Bank also offers full service government banking for cities, towns, school districts and fire districts throughout Berkshire County and surrounding counties.

PERFORMANCE CONTEXT (CONTINUED)

Description of Institution (Continued)

There are no significant financial or legal impediments, which limit the bank's ability to help meet the credit needs of the community. The Bank's most recent CRA evaluation, performed by the FDIC as of February 19, 2003 assigned a rating of "Outstanding". The previous evaluation performed by the Division as of February 25, 2000 also assigned a rating of "Outstanding".

Berkshire Bank operates in a highly competitive market. The Bank's competition consists of several local banks, credit unions, and a branch network of national banks throughout the assessment area totaling 286. The local banks that compete directly with Berkshire Bank are Citizens Bank, BankNorth, Adams Co-operative Bank, Greylock Credit Union, Hoosac Bank, Landmark Credit Union, Lee Bank, Legacy Bank, Pittsfield Co-operative Bank, Salisbury Bank and Trust, South Adams Savings Bank and Williamstown Savings Bank. The market influence from these entities appears to be significant, and as a result, serves to keep the Bank's rates and services offered competitive.

Description of Assessment Area

Demographic and Economic Data

CRA requires a financial institution to identify one or more assessment areas within which it intends to help meet that area's credit needs. Berkshire Bank's assessment area includes the following Massachusetts and New York cities and towns: Adams, Becket, Washington, Cheshire, Clarksburg, Dalton, Egremont, Alford, Mt. Washington, Great Barrington, Hancock, Richmond, Hinsdale, New Ashford, Lanesborough, Lee, Tyringham, Lenox, Monterey, New Marlboro, North Adams, Pittsfield, Sandisfield, Otis, Savoy, Sheffield, Stockbridge, Glendale, West Stockbridge, Williamstown, Windsor, Peru and Augusta/Oriskany Falls, New York. All of the communities are located within Berkshire County with the exception of the area in New York, Augusta/Oriskany Falls.

According to 2000 census data, Berkshire Bank's assessment area has 67,942 housing units of which, 57 percent are owner-occupied, 28 percent are rental occupied units and 15 percent are vacant housing units. One to four family properties comprise 86 percent of the total housing units.

Census tracts are defined as low, moderate, middle or upper-income based on median Family Household Income ("FHI") within the census tract. The assessment area consists of 42 census tracts: 1 (2.38 percent) low-income, 8 (19.05 percent) moderate-income, 27 (64.29 percent) middle-income and 6 (14.29 percent) upper-income.

PERFORMANCE CONTEXT (CONTINUED)

Description of Assessment Area (Continued)

Please refer to the table below regarding other housing characteristics.

Table 2 - Selected Housing Characteristics by Income Category of the Geography

Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	2.4%	3.5%	3.4%	0.6%	9.7%	2.9%	\$80,000
Moderate	19.0%	17.4%	16.6%	11.7%	30.0%	12.2%	\$85,037
Middle	64.3%	66.0%	66.3%	72.3%	52.4%	67.4%	\$123,549
Upper	14.3%	13.0%	13.7%	15.4%	8.0%	14.00%	\$175,941
Total or Median	100%	100%	100%	100%	100%	100%	\$122,869

Source: 2000 U.S. Census

Change in MSA for 2004

The Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new metropolitan statistical area ("MSA") boundaries, which were then updated and became effective January 2004. The application of OMB's 2000 standards will result in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/Metropolitan Division ("MD") boundaries that impact 2004 data.

As a result of the OMB revision, the census tracts for 2004 are as follows:

Change in MSA Tracts					
Census Tracts	2003 Census Data		2004 Census Data		Change in Number of Census Tracts
	#	%	#	%	
Low	1	2.38	1	2.38	-
Moderate	9	21.43	8	19.05	1
Middle	26	61.90	27	64.29	1
Upper	6	14.29	6	14.29	-
NA	-	-	-	-	-
Total	42	100.0	42	100.0	0.0

The median family income for the Pittsfield MSA for 2003 was \$56,000. The income figure is based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the

PERFORMANCE CONTEXT (CONTINUED)

Description of Assessment Area (Continued)

MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Demographic information for the Bank's assessment area was obtained from data compiled by the 2000 U.S. Census as well as by the MSA boundaries established in January 2004. Information based on the newly revised MSA boundaries was used to evaluate the Bank's 2004 performance while the "older" boundaries were used to evaluate the Bank's 2003 performance. Consequently, the distribution of loans in 2003 will be discussed separately.

Pittsfield is the largest urban and economic center in Berkshire County. Berkshire County is located in western Massachusetts and is primarily rural, with the exception of Pittsfield. The economy within the Pittsfield MSA has remained relatively stable during the evaluation period. Unemployment figures were obtained for the assessment area. As of December 2004 the assessment area had an average unemployment rate of 4.07 percent. The Town of Adams had the highest unemployment rate of 6.5 percent while the Town of Tyringham had the lowest rate of 1.9 percent. The assessment area's unemployment rate was lower than the statewide average of 4.6 percent.

Numerous businesses operate throughout the area, most of which are concentrated in the middle-income census tracts. The highest proportion of these business establishments are engaged in the service industry. Businesses involved in retail trade and construction also make up a significant share of the establishments. Approximately 59.2 percent of the businesses have revenues under \$500,000 and over half employ four or fewer people.

There is a wide range of home prices within the Pittsfield MSA. Based on statistics published by the Warren Group, the area's median home sales prices for 2004 varied from a low of \$34,900 in Becket to a high of \$574,000 in Stockbridge.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Outstanding". The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage, small business, and community development loans. Residential mortgage and small business loans originated during 2003 and 2004 were included to rate the Bank's performance.

The data used to evaluate the Bank's lending was derived from the HMDA/Loan Application Register ("LAR"), small business loan register, and the Bank's community development loan register.

I. Lending Activity

Berkshire Banks' lending activity and record of extending credit were reviewed during the course of the examination.

As of December 31, 2004 the net loan to deposit ratio was 96.0 percent. This ratio has increased from 93.5 percent on December 31, 2003. The increase in this ratio is a result of deposits increasing by 1.9% while net loans increased by 4.5%.

The Bank's net loans and leases as a percent of assets, as reported in the December 31, 2004, Uniform Bank Performance Report ("UBPR"), was 62.63 percent. The peer group's net loan to asset ratio was 61.93 percent, placing the Bank in the 46th percentile. The Bank's ratio is higher than the peer ratio; however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

Berkshire Banks' LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 1,254 HMDA-reportable loans totaling \$215.9 million. Of this amount, 1,171 loans, or 93.4 percent of the number and \$198.2 million or 91.8 percent of the dollar volume was originated in the Bank's assessment area.

By number, Pittsfield, accounted for the largest number of originations with 27.6 percent, followed by Great Barrington with 12.9 percent. Pittsfield also accounted for the largest dollar volume of originations with 18.6 percent, followed by Great Barrington with 13.7 percent. Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	773	94.6%	118,715	94.0%	44	5.4%	7,577	6.0%
2004	398	91.1%	79,499	88.7%	39	8.9%	10,149	11.3%
Total	1,171	93.4%	198,214	91.8%	83	6.6%	17,726	8.2%

Source: HMDA/LAR, CRA Wiz

As shown in the tables above, there has been a large decrease in the volume of loans from 2003 to 2004. This was due, in large part, to an increase in interest rates in 2004 which resulted in decreased demand for refinancing. In 2003, Berkshire Bank ranked 3rd out of 286 HMDA reportable lenders in the assessment area. Berkshire Bank originated 773 loans in the assessment area giving the Bank an 8.7 percent market share. The top two lenders in the assessment area were Greylock Federal Credit Union with a 12.5 percent market share and Legacy Banks with a 10.3 percent market share.

Small Business Lending

Berkshire Bank's Small Business Loans Registers ("SBLR"s) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The Bank originated and purchased 740 small business loans totaling \$105.7 million during this period. A total of 645 loans totaling \$82.1 million were originated to businesses within the Bank's assessment area, representing 87.2 percent by number and 77.7 percent by dollar volume. Please refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	347	91.6%	42,390	84.2%	32	8.4%	7,986	15.8%
2004	298	82.6%	39,790	71.8%	63	17.4%	15,619	28.2%
Total	645	87.2%	82,180	77.7%	95	12.8%	23,605	22.3%

Source: CRA Data Collection

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

As shown in the above tables, the small business loan distribution reflects a good responsiveness to the assessment area's credit needs. In 2003, the Bank ranked ninth in all of Berkshire County for small business lending with 349 loans for an 3.8 percent market share. The top three small business lenders in Berkshire County in 2003 were Capital One, F.S.B.; Citibank USA, NA; and MBNA America, N.A.

Given the Bank's strong penetration of loans inside its assessment area for both residential and small business lending, the Bank's lending activity is considered Outstanding.

II. Geographic Distribution of Loans

Residential Mortgage Lending

The Federal Financial Institution Examination Council ("FFIEC") Table 2a shows the geographic distribution of home purchase loans. This table reflects a penetration throughout the assessment area's census tracts. The Bank originated 382 home purchase loans in 2003 and 2004. The highest percentage of loans was originated within the area's middle-income census tracts with 72.34 percent in 2003 and 76.8 percent in 2004. This loan volume is appropriate considering the high number of middle-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts. Upper-income census tracts accounted for 20.74 percent of volume in 2003, and 14.95 percent in 2004. These percentages are also reflective of the proportion of owner-occupied housing located in those census tracts. The moderate-income census tracts accounted for 6.38 percent of home purchase loans in 2003 and 4.64 percent in 2004. These percentages are below the 14.08 percentage of owner-occupied housing units located in moderate-income tracts and are below the aggregates' percentage of lending of 12.97 in 2003. The low-income census tracts accounted for 0.53 percent of home purchase loans in 2003 and 3.61 loans in 2004. The percentage for 2003 is slightly below the percentages of owner-occupied housing units as well as the aggregate percentage of 1.18 in 2003.

FFIEC Table 3a shows the geographic distribution of home improvement loans. The Bank originated 2 home improvement loans for 2002 and 24 in 2003. The increase in home improvement loans was the result of a change in the reporting requirement for HMDA in 2004 where certain loans classified as home improvement were reported as such. The majority of these loans were in middle-income census tracts. Many borrowers use home equity loans to finance their home improvement needs. Therefore, analysis of this category for the Bank is limited.

FFIEC Table 4a shows the geographic distribution of home mortgage refinance loans. The Bank originated 571 loans in 2003 and 180 loans in 2004. As stated earlier, the significant reduction in the Bank's lending activity for refinances between 2003 and 2004 was the direct result of the increase in interest rates. The Bank originated the highest percent of loans in the middle-income census tracts with 72.33 percent in 2003

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

and 75.56 percent in 2004. Berkshire Bank also originated 22.59 percent of its home mortgage refinance loans in upper-income tracts in 2003 and 16.11 percent in 2004. The Bank originated 4.38 percent of its loans in the moderate-income census tracts in 2003 and 6.67 percent in 2004, which is well below the 14.08 percent of owner-occupied properties located there. In 2003, 0.70 percent of the loans were originated in low-income census tracts and 1.67 percent in 2004, which is consistent with the low percentage of owner-occupied properties, and also given the fact the aggregate origination activity was minimal. When compared to the aggregate information for 2003, the Bank originated a smaller percentage of loans than the aggregate in low and moderate-income census tracts.

FFIEC Table 5a shows the geographic distribution of multifamily loans. The Bank originated 12 loans for the period under review, all in 2003. Three loans were originated in low-income census tracts and five loans were originated in moderate-income census tracts. The remaining loans were made in middle-income census tracts. The Bank's lending in the low and moderate-income census tracts was similar to the aggregate.

Small Business Lending

FFIEC Table 6a shows the geographic distribution of small loans to businesses. The Bank originated 6.34 percent in 2003 and 5.03 percent in 2004 of its small business loans in low-income census tracts for the period under review. These percentages are below the demographics of the assessment area according to 2000 census information. The Bank originated 13.83 percent of its small business loans in moderate-income census tracts in 2003 and 7.38 percent in 2004. Both of those percentages are slightly below the percent of businesses located there. The Bank originated the majority of its small business loans in middle-income tracts for the period under review and its percentage is slightly higher than the percentage of businesses located in middle-income census tracts. The geographic distribution of small business loans was also compared to all other small business lenders in Berkshire County. Other small business reporters include bank and non-bank entities such as large national banking companies, other local banks, and finance companies. The most recent data available for this analysis relates to calendar year 2003. The Bank's small business lending in low-income census tracts was adequate. The Bank originated 6.34 percent of its small business loans in low-income census tract versus the aggregate, which originated 9.60 percent. The Bank's small business lending in moderate-income census tracts was also adequate. The Bank originated 13.83 percent of its small business loans in moderate-income census tracts versus the aggregate, which originated 15.66 percent

FFIEC Table 7a shows the geographic distribution of small loans to farms. The Bank originated three loans during the review period to small farms. All the loans were located in middle or upper-income census tracts. This is consistent with both the demographics of the assessment area that show the majority of farms in these income areas as well as aggregate information which shows the aggregate originated over 91

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

percent of the small farm loans in middle and upper-income census tracts.

To summarize, the geographic distribution of the Bank's lending is strongest in the middle-and upper-income census tracts where the majority of census tracts, housing units, businesses, and farms are located, as well as the highest levels of aggregate lending. However, during 2003, the Bank originated 9 or 1.2 percent of its loans to low-income areas. This percentage is higher than the 1.1 percent the aggregate originated. In addition, Berkshire Bank ranked 2nd among all HMDA reporters in 2003 for lending to low-income areas. The Bank's lending to moderate-income areas was good. The Bank originated 42 or 5.4 percent of all its loans in moderate-income areas and was ranked 6th among all HMDA reporters in 2003.

III. Distribution of Loans by Borrower Income

Residential Mortgage Lending

This factor assesses how well the Bank is addressing the credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on Berkshire Banks' record of lending to low- and moderate-income borrowers residing in the assessment area. Information on the HMDA\LARs concerning residential mortgage lending shows an adequate distribution of loans among all income levels, including both low and moderate-income categories.

FFIEC Table 8a shows borrower distribution of home purchase loans. The Bank originated 382 loans in 2003 and 2004. The upper-income borrowers accounted for the single greatest share of home purchase loans originated at 49.43 percent in 2003 and 58.96 percent for 2004. The high percentage of loans to upper-income borrowers is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was much less with 24.14 percent in 2003 and 21.97 percent for 2004. Loans originated to moderate-income borrowers were slightly below the number of family households and slightly lower than 2003 aggregate lending. The Bank originated 16.09 percent in 2003 and 13.87 percent in 2004. Lending to low-income borrowers was satisfactory with 10.34 percent of the total of home purchase loans in 2003 and 5.20 percent for 2004. Although, the percentage of loans to low-income borrowers is less than the percentage of low-income family households in the area, the number of loans is satisfactory considering that mortgage loan demand from borrowers in this income category is typically lower than that of the other income groups. In addition, the Bank originated a higher percentage than the aggregate in 2003.

FFIEC Table 9a shows the borrower distribution of home improvement loans. The Bank originated 2 home improvement loans for 2003; 24 in 2004. All the loans in 2003 were originated to low-income borrowers. In 2004, the greatest percentage of lending was to middle and upper-income borrowers. Many borrowers use home equity loans to finance their home improvement needs. Therefore, analysis of this category is limited.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

FFIEC Table 10a shows the borrower distribution of home mortgage refinance loans. The Bank originated 751 loans in 2003 and 2004. Upper-income borrowers accounted for the single greatest share of home mortgage refinance loans originated at 51.91 percent of total volume in 2003 and 39.76 for 2004. The high percentage of loans to upper-income family households is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was slightly higher than the percentage of middle-income family households in the assessment area and similar to the aggregate lending to this income group in 2003. Loans originated to moderate-income borrowers were slightly lower than the percentage of moderate-income family households and lower than the aggregate in 2003. The Bank originated 14.57 percent of its loans to moderate-income borrowers in 2003 and 21.08 percent in 2004. In contrast, the percentage of moderate-income families was 20.03 percent and aggregate lending to moderate-income borrowers was 19.24 percent. Lending to low-income borrowers was minimal with refinance lending activity at 4.74 percent in 2003, but increased with 13.86 percent for 2004. Loans originated to low-income borrowers were significantly lower than the percentage of low-income families and comparable to the 2003 aggregate data.

Small Business Lending

FFIEC Table 11a shows the borrower distribution of small loans. The Bank has a good record of originating small business loans to business with gross annual revenues under \$1 million. During the review period, the Bank originated 645 small business loans in its assessment area. In 2003, 86.17 percent were made to businesses with revenues under \$1 million dollars; in 2004, 86.91 were made to such these size businesses. Loan size is another consideration for analyzing lending performance to small businesses. The Bank had an excellent record of lending to small businesses with loan amounts less than \$100,000. Loans less than \$100,000 accounted for 72.33 percent in 2003; and 69.13 percent in 2004.

FFIEC Table 12a shows the borrower distribution of small farm loans. The Bank originated a total of three small farm loans all of which had a loan amount of less than \$100,000 and in which all had revenues of \$1 million or less.

To summarize, the borrower distribution of the Bank's lending shows that a small portion of its home mortgage loans are originated to low-income borrowers. However, there are mitigating factors to account for this including the high cost of housing in the area, and the fact that many low-income borrowers cannot afford the costs of home ownership. In addition, Berkshire Bank ranked 3rd in lending to low-income borrowers in the assessment area in 2003. A good level of loans was extended to moderate-income borrowers. The Bank originated 171 or 14.6 percent of its loans to moderate-income borrowers. The Bank also ranked 5th in lending to moderate-income borrowers in the assessment area in 2003. The majority of small business loans go to businesses with revenues less than \$1 million and the majority of the loans are \$100,000 or less.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

IV. Community Development Lending

Berkshire Bank has made a very strong level of qualified community development loans during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals; community services targeted to low and moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

During calendar years 2003 and 2004, Berkshire Bank originated seven loans totaling \$10,784,769 that meet the definition of Community Development. The following describes the Community Development Loans originated by the Bank during the period under review.

In March 2003, the Bank provided a \$2,000,000 real estate loan to a manufacturing entity for business expansion. The business is located in an Economic Opportunity Zone targeted by the Town of Lee.

In September 2003, the Bank originated a multifamily loan for \$247,431. The property, located in a low-income census tract, was originated through the Housing Assistance Program through HUD and consists of mostly Section 8 tenants.

In December 2003, Berkshire Bank participated in a \$1,800,000 construction-to-permanent commercial mortgage loan to a large social service organization. The organization's mission is to provide guidance, support, and advocacy for girls and their families. The purpose of the loan is to completely restore the interior of this organization's headquarters located in downtown Pittsfield. Partial repayment of the loan will come from donations, grants, and pledges received.

In 2003, the Bank provided a \$1,727,475 loan to a mixed income development project. The project will consist of 96 housing units plus an existing two-family home. Of the 96 units, 25 percent will be affordable and will have long-term affordability restrictions attached to them. The project will be constructed over approximately seven years. This project is being financed in conjunction with the Federal Home Loan Bank of Boston's New England Fund.

In 2004, the Bank provided \$116,509 construction loan to a development company. The funds were used to renovate the Central Block project located in the downtown area. The area is defined as an Economic Target Area by the City of Pittsfield.

In 2004, the Bank funded \$1,322,957 for construction costs to a large social service organization. The organization's mission is to provide guidance, support, and advocacy for girls and their families. The purpose of the loan is to completely restore the interior of this organization's headquarters located in downtown Pittsfield.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

In 2004, the Bank's participation in the Federal Home Loan Bank of Boston's New England Fund resulted in the Bank advancing \$3,570,397 to a mixed income development.

V. Innovative or Flexible Lending Practices

Berkshire Bank continues to participate in loan programs aimed at meeting the credit needs of low and moderate-income individuals, first time homebuyers and small businesses. Berkshire Bank had developed its own small business loan program geared toward meeting the credit needs of businesses with gross revenues of \$1 million or less. These programs are detailed below.

Massachusetts Housing Finance Authority Program (MHFA)

MHFA offers a variety of programs to expand rental and homeownership opportunities for and moderate-income individuals. MHFA funds its programs through the sale of taxable or tax-exempt bonds to private investors. This general obligation mortgage loan program offers first-time homebuyers special below market fixed rate financing provided the potential borrowers do not exceed income limitations, purchase price, and have not owned a home within the past three years. The loan is for 30 years at a fixed-rate with up to 95 percent financing. In 2003, the Bank originated 10 loans totaling \$1,042,423. In 2004, the Bank originated 19 loans totaling \$2,087,100.

Small Business Administration (SBA)

Berkshire Bank continues to be a participating SBA lender. The following is a description of SBA programs the Bank offers:

- The 7a program provides start-up costs to small businesses. The Bank funds the entire loan, with SBA guaranteeing between 75 percent and 90 percent, depending on the use of the loan proceeds. The Bank originated 12 loans totaling \$1,367,000 in 2003. In 2004, Berkshire originated 7 loans totaling \$646,912
- The SBA 504 program provides for direct financing by the SBA of a portion of small business loans. The program offers long-term, low-interest, fixed-rate loans for purchase of tangible assets such as land and buildings. The Bank provides 50 percent of the project cost with a first mortgage and the SBA funds 40 percent of the cost at a fixed interest rate. The small business customer only has to provide 10 percent of the cost. In 2003, the Bank originated 2 loans totaling \$1,400,000. In 2004, Berkshire Bank originated 2 loans totaling \$2,282,633.

Massachusetts Business Development Corporation-Capital Access Program

This program is designed to give Banks a tool to make business loans that are riskier than conventional bank loans. To be eligible for this program, the applicant's principal place of business must be in Massachusetts; the loan must be for business purposes,

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

and annual sales cannot exceed \$5 million. Berkshire Bank originated two loans in 2003 totaling \$668,500. In 2004, the Bank originated 4 loans totaling \$208,000.

Small Business Express Credit Program

Berkshire Bank developed this in-house program in 1998. The program is geared toward small businesses in Berkshire County with less than \$1 million in annual sales. The program offers competitive rates and is designed to streamline the loan application process and expedite the credit decision. Eligible businesses can apply for credit at their local branch and receive a quick credit decision, sometimes the same day. Products include business checking with overdraft protection, lines of credit, term loans, and real-estate loans. The Bank originated 38 loans totaling \$975,102 in 2003. In 2004, Berkshire Bank originated 56 loans totaling \$1,734,535.

In addition, the Bank continues to offer other flexible lending programs including FHA, VA, Country Homes, Reverse Mortgages, and the Good Samaritan Program, but have not had any activity in these programs during the evaluation period.

VI. Fair Lending Policies and Practices

The following details Berkshire Bank's fair lending performance as it relates to the guidelines established by the Division's Regulatory Bulletin 2.3-101. Such performance is considered to be excellent.

Berkshire Banks maintains a Fair Lending Policy that complies with the Equal Credit Opportunity Act and the Fair Housing Act regulations.

The Bank conducts regular training on CRA and Fair Lending for management and staff in an effort to familiarize them with the laws and regulations governing lending practices. Management and staff also attended seminars provided by Massachusetts Bankers Association during the examination period.

All loan applications which may be potentially declined after initial consideration by a loan officer must be reviewed again by the Senior Vice President-Retail Lending, the Assistant Vice President, or the Mortgage Officer-Retail Lending.

The Bank's Compliance Officer conducts reviews of the HMDA/LAR and the SBLR on a quarterly basis to check for accuracy. In addition, the Bank's Internal Auditors conduct annual fair lending and HMDA audits.

A fair lending review was performed as part of the examination to ensure compliance with the governing fair lending regulations. The review identified no violations of the substantive provisions of the anti-discriminatory laws and regulations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Minority Application Flow

According to the 2000 census, in 2003 Berkshire Bank's assessment area consists of 139,046 individuals, 8,086 or 5.8% of who are minorities. The assessment area's minority population is 0.1% Native American, 0.9% Asian, 1.9% Black, 1.7% Hispanic and 1.2% Other based on 2000 demographic data. In 2004, the assessment area contains 134,953 individuals, 7,992 or 5.9% of whom are minorities.

A review of residential loan applications was conducted in order to determine the number of applications the Bank received from minorities. The Bank received 1,385 residential loan applications from within its assessment area. During this period, 39 applications or 2.8% were received from minorities. Of the 39 applications received, 36 or 92.3 percent resulted in originations. The Bank's minority application flow appears to be slightly below the 2000 Census information.

Refer to the following table for further details.

MINORITY APPLICATION FLOW								
RACE	Berkshire Bank 2003		2003 Aggregate Data		Berkshire Bank 2004		Berkshire Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	6	0.7	23	0.2	4	0.8	10	0.7
<i>Asian</i>	3	0.3	64	0.5	3	0.6	6	0.4
<i>Black</i>	3	0.3	120	1.0	1	0.3	4	0.3
<i>Hawaiian/Pac Isl.</i>	-	-	-	-	0	0.0	0	0.0
<i>Hispanic</i>	2	0.2	117	1.0	7	1.4	9	0.7
<i>Other</i>	3	0.3	139	1.2	-	-	3	0.2
<i>2 or more Minority</i>	-	-	-	-	0	0.0	0	0.0
<i>Joint Race</i>	-	-	-	-	7	1.4	7	0.5
Total Minority	17	1.8	463	3.9	22	4.5	39	2.8
<i>White</i>	765	85.3	9,387	79.4	387	79.5	1,152	83.2
<i>Not Provided</i>	80	8.9	1,645	13.9	-	-	80	5.8
<i>NA</i>	36	4.0	329	2.8	78	16.0	114	8.2
Total	898	100.0	11,824	100.0	487	100.0	1,385	100.0

*Source: CRA Wiz Software.

An analysis was also performed comparing the Bank's application flow levels in 2003 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

Aggregate information for 2003 indicated that, of the 11,824 HMDA-reportable applications received by all other lenders within the Bank's assessment area in 2003, 3.9 percent were from minorities: 0.2 percent from American Indians, 0.5 percent from Asians, 1.0 percent from Blacks, 1.0 percent from Hispanics, and 1.2 percent from Other Minorities. The Bank received 898 applications during the same period. Of these, 1.8

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

percent was from minorities: 0.7 percent from Native Americans, 0.3 percent from Asians, 0.3 percent from Blacks and 0.2 percent from Hispanics, and 0.3 percent from Other minorities. Berkshire Bank's minority application flow when compared to the other lenders within the assessment area is slightly lower.

VII. Loss of Affordable Housing

The Bank's participation, along with its development of credit products with flexible lending criteria, and its community development lending has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Berkshire Bank has demonstrated an excellent responsiveness to the assessment areas credit needs. A substantial majority of the Bank's loans were made within its assessment area and were well distributed throughout the communities within the assessment area. The Bank's lending also demonstrates a very good distribution of loans among individuals of different income levels. The Bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The institution has granted an excellent level of community development loans, and has used innovative and flexible lending practices to address the credit needs of low and moderate-income individuals and small businesses. In addition, the Bank's fair lending performance was found to be very good at this time. Therefore, the institution's lending performance receives an overall rating of Outstanding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Berkshire Bank is rated "Outstanding" in this area. The following describes the institution's qualified investments.

Investments

- **The Berkshire Capital Investors ("BCI"):** BCI is based in Williamstown, Massachusetts, and focuses on making equity investments in start-up or early stage technology companies. BCI has a primary mission of fostering economic revitalization throughout Western Massachusetts. In January 2000, Berkshire Bank committed \$500,000 to invest in a limited partnership interest in BCI's "Fund II". Fund II is a venture capital fund based in the Berkshires and is seeking a minimum of \$10 million with a target of \$15 million to be invested primarily in growing technology and service companies. To date, Berkshire Bank has funded \$400,000 of its total commitment of \$500,000. The current book value of this investment is \$103,129.
- **Berkshire Housing Development Corporation ("BHDC"):** The Bank along with other Berkshire County-based institutions, provided the seed money to establish BHDC. BHDC was created to bring together the necessary expertise and financial resources to address the housing needs in Berkshire County. The Bank holds a \$60,000 bond that was provided to help establish the BHDC.
- **Berkshire Fund:** Berkshire Bank purchased low-interest bonds to fund a downpayment pool for the Good Samaritan Program. Under this program, participating institutions provide first mortgages to first-time homebuyers for up to 80 percent of the value and at interest rates slightly below market. The money from the sale of the bonds is used to provide second mortgages for up to 15 percent of the value. In addition to the bond purchased in 1996 with a current book value of \$115,500, during the last evaluation, the Bank purchased two additional bonds totaling \$112,500.

Charitable Contributions

The Greater Berkshire Foundation was established in 1997 as a corporate foundation to provide monetary contributions for the arts, charitable and cultural activities, community and economic development, education, social services, and other programs that impact the needs of the community served by the Bank. In 2001, the Bank established a second charitable foundation, Berkshire Hills Foundation, which was funded with shares of Berkshire Hills Bancorp stock. The main goal of both foundations

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST (CONTINUED)

is to help improve the quality of life for community residents. The majority of the qualified grants and donations made by the Bank during the evaluation period were from the two foundations.

During the evaluation period, Berkshire Bank made qualified donations of \$775,920 to organizations that provide services to low- and moderate-income people and promote economic development in the assessment area.

The following includes (but is not limited to) some of the organizations that Berkshire Bank contributed to that were considered to be qualified donations.

Northern Berkshire Community Coalition This organization is dedicated to improving the quality of life for residents in low to moderate census tracts in the Northern Berkshires.

Girls Incorporated of Pittsfield A non-profit social service agency that provides programs and services to children, families, and seniors, including those that are low- and moderate-income.

Colonial Theatre Community redevelopment of this building will revitalize downtown Pittsfield.

Northern Berkshire United Way This is a volunteer driven organization that raises and distributes funds to social service programs that respond to current, critical, and emerging community needs.

Consumer Credit Counseling Services of Massachusetts, Inc (CCCS) Berkshire Bank continues to support this non-profit agency annually.

Additional donations were granted to Central Berkshire Habitat for Humanity; Downtown Development, Inc.; Pittsfield YMCA; Berkshire County Regional Housing Authority; Berkshire Taconic Community Foundation; Goodwill Industries of the Berkshires, Inc.; Berkshire Center for Families and Children; Construct, Inc.; and the Boys' and Girls' Club.

CONCLUSION (Investment Test)

As depicted above, Berkshire Bank has an excellent level of qualified community development grants, and has exhibited outstanding responsiveness to credit and community economic development needs based on the limited opportunities in the assessment area. Therefore, the Bank's investment performance is rated Outstanding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Berkshire Bank's service activities are "Outstanding".

The Bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The Bank's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service, customer service center, and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the Bank have provided a high level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the Bank provide an excellent level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

RETAIL BANKING SERVICES

Distribution of Branches

Berkshire Bank's main office is located in downtown Pittsfield at 24 North Street, a low income census tract. In total the Bank has 12 full service branches and 1 limited service branch located in the following communities: Great Barrington (2), Lee (1), North Adams (1), Pittsfield (4), Sheffield (1), Stockbridge (1), West Stockbridge (1), Oriskany Falls, NY (1) and a limited service branch in Albany, NY. Of the 12 branch offices, 3 are located in low- and moderate- income census tracts: North Adams (1) and Pittsfield (2). The remaining branches are located within middle or upper-income census tracts. The Bank also operates sixteen Automated Teller Machines ("ATM"s) of which three are in low- to moderate income census tracts and one is a school ATM located at Berkshire Community College.

Branch hours are convenient and comparable to other institutions, and services of the Bank are more than sufficient to meet the needs of the assessment area. Office hours for the branches are generally 8:30 a.m. to 4:00 p.m. Monday through Thursday, 8:30 a.m. to 5:00 p.m. on Friday and 9:00 a.m. to 12:30 p.m. on Saturday. The following nine branches in the cities/towns of Great Barrington (2); Lee (1); North Adams (1); Pittsfield (3); Sheffield (1) and West Stockbridge (1) offer drive up services. Hours of service are Monday through Friday 8:30 a.m. to 5:00 p.m. and Saturday 9:00 a.m. to 12:30 p.m. ATMs are located at all branches except for 43 East Street Pittsfield, MA.

Berkshire Bank continues to expand its ATM network and operates 16 ATMs. Berkshire Bank is a member bank of the NYCE, Cirrus, Plus, and Discover networks; therefore, customers may access their accounts at any ATM that bears these network logos. The bank is also a member of the SUM Program, which is a statewide alliance of

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

approximately 175 financial institutions. Customers of the banks affiliated with the SUM network do not pay a surcharge at any member bank's ATMs. In addition, the Bank's ATM cards bear the MasterMoney logo, allowing customers to access their accounts for purchases at merchants worldwide.

Record of Opening and Closing Branches

Berkshire Bank maintains a Branch Closing Policy that was last reviewed and approved by the Bank's Board of Directors on January 21, 2004. The policy meets regulatory requirements concerning branch closing notices and procedures. Since the last examination Berkshire Bank has discontinued banking activities at 24 North Street and moved their lending department across the street to 66 West Street in Pittsfield, MA. The Bank opened a new branch at 212 Main Street in Oriskany Falls, NY since the last examination. Both locations are in low to moderate income census tracts. Berkshire Bank has also established a limited service office at 54 State Street Suite 804 in Albany, NY and the hours are by appointment only.

Alternative Retail Banking Services

To make banking more accessible to its customers, the Bank now offers Internet banking capability. Through online banking customers can manage their finances from a home or office computer 24 hours a day, 7 days a week. Customers are able to access accounts, transfer funds, review on-line statements, pay bills, communicate with the bank through electronic mail, and obtain many other services. Berkshire Bank has added more functionality and content to its website, www.berkshirebank.com. Bank customers now have access to insurance and investment information, in addition to using retail and business Internet banking applications.

Berkshire Bank offers "Gold Line Telephone Banking", a 24-hour program which allows customers to access the Bank's voice response system to make inquiries, transfer funds between accounts, make loan payments, etc. The system provides the customer a series of options and steps to follow. The telephone number is toll free. In addition, Berkshire Bank offers a separate toll-free telephone number in Massachusetts for customers to contact the Bank during business hours.

Other Retail Services

All branches offer the same deposit services and products. The Bank offers low-cost checking and savings products to all customers. These products qualify as Basic Banking under the Massachusetts Communities Banking Council's ("MCBC") program. However, the benefits of the Bank's low-cost accounts exceed those offered by the MCBC Basic Banking program. The MCBC Banking program allows banks to charge up to \$3.00 in monthly maintenance fees for a basic checking account and \$1.00 for the basic savings account. The Bank offers a "No Frills Checking" account, which features no maintenance fee regardless of balance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

Berkshire Bank also offers a “Gold Club 60” account for customers over the age of 60. Both the checking and the savings accounts feature no monthly service charge and no minimum balance requirement. Other services offered include reduced fees for overdrafts, insufficient funds, and stop payments; no-fee money orders, certified checks, and treasurer’s checks; fee traveler’s checks; no-fee notary services; no-fee signature guarantee services; and no-fee wire transfers.

The Bank also offers a basic passbook and statement savings account with no minimum balance requirements and no monthly fees. In addition to savings accounts, the Bank offers Certificates of Deposit with various terms. The Bank offers a certificate of deposit account called “Smart Money” which is a six month term CD that affords customers the ability to make an additional deposit and/or one withdrawal from the account during the six month term.

Commercial Services

The Bank offers a basic, low cost checking account for the small business customer with limited transactions. This account offers a no minimum monthly balance requirement with a low monthly fee of \$9 and an allowance of 50 checks written per statement period at no additional charge.

Berkshire Bank also offers a commercial checking account. This account offers no minimum monthly balance requirement, a monthly fee of \$10, a 9-cent per deposited item – 40 cent per deposit fee, and a 15-cent per check charge. This account has an earnings credit which is applied to the investable balance each statement cycle, which offsets service charges.

The Bank offers “Bank@Work Internet Banking” to its commercial customers. “Bank@Work Internet Banking” allows the customer to review and manage your business account 24 hours a day 7 days a week. A complete menu of easy to use cash management services can help assist the customers managing cash flow. The fully functional transaction-based system enables you to make in-bank, account to account fund transfers, originate ACH transactions, place stop payments, initiate wire transfers and create custom reports.

Berkshire Bank participates in the Commonwealth’s Interest on Lawyers Trust Account (“IOLTA”) program. This account is used by attorneys for depositing client’s funds, pays interest. An IOLTA account has no minimum balance requirement and no monthly fee.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

COMMUNITY DEVELOPMENT SERVICES

Berkshire Bank's President/CEO is on the Board of Directors of the Berkshire Chamber of Commerce. This organization encourages economic development in the county. He is also a member of the Berkshire Business Roundtable, a group consisting of CEOs of major corporations in Berkshire County with a mission of furthering economic growth in the county. The President is also a director of Berkshire Health Systems.

Berkshire Bank's Vice President, Compliance/CRA Officer is a member of the Board of Commissioners of Pittsfield Housing Authority and is also a member of the Family Partnership Committee for Habitat for Humanity. She has conducted financial counseling for new families as they are approved by Habitat and also for current Habitat families who are in need of budgeting assistance. She is a member of the Berkshire United Way's Allocation Executive Committee and is also on the Board of Directors for the Boys & Girls Club located in Downtown Pittsfield.

Berkshire Bank's Vice President of Commercial Lending is a member of the Board of Directors of the Southern Berkshire Community Development Corporation. This entity promotes community development through various programs targeted to low and moderate income populations. He is also a fund solicitor for the Berkshire United Way.

Berkshire Bank's Senior Vice President of Commercial Lending is a member of the Dalton Economic Industrial Development Commission. The commission's purpose is to help plan and foster economic development in the Town of Dalton. The Board will promote and review economic incentive programs to foster development. He is also on the Board of Berkshire County ARC. As a Board member, he oversees the Finances/Budget and Operations of the organization.

Berkshire Bank's Assistant Vice President/Security Officer is a member of Citizen's Scholarship Foundation of Pittsfield. This is a cooperative effort between business and community board members, guidance counselors and student board members to raise funds for college scholarships. In addition, he is Treasurer of this organization.

Berkshire Bank's Assistant Vice President of Marketing is the Vice President of the Board of Family Life Support, Inc. The Family Life Support Center operates the Louison House, located in Adams, which is a 22 bed transitional shelter for homeless men, women, and families. Staffed 24 hours a day by counselors, the shelter provides residents with comprehensive counseling and case management for budgeting, utility shut-offs, evictions, housing services, referrals for specialized services, employment counseling, life skills counseling, and benefits advocacy.

A member of the Board of Directors serves on The Berkshire Fund, Inc., which offers various housing programs to individuals of the community, including operation of rental housing for young mothers and their children.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

Two of Berkshire Bank's Assistant Vice Presidents and Regional Branch Managers are allocation committee members for the Berkshire United Way. The Bank's Facilities Officer is on the building committee of the United Way as well as sitting on the Signage and Facade Taskforce for Downtown Pittsfield, Inc.

Educational Services and Seminars

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the Bank during 2003 and 2004. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area.

In an attempt to educate potential applicants about the home buying process, Berkshire Bank has participated in several first-time homebuyer seminars during the examination period. The program was the result of research conducted by the Bank that indicated a need for special credit-related programs targeted to first-time homebuyers.

In November 2003, the Bank sponsored a home buyer's seminar for a new affordable housing project in Great Barrington.

In April 2003, a representative of the Bank participated in a community outreach program at the Price Memorial AME Zion Church on Robbins Avenue in Pittsfield.

Berkshire Bank continues to sponsor programs in conjunction with Mass Business Development Center and in February 2004 the Bank co-sponsored with the Southern Berkshire Chamber of Commerce a workshop focusing on business management fundamentals and business plan development.

In February 2004 Berkshire Bank participated in the Homeowner Options for Massachusetts Elders (HOME) program by offering reverse mortgages and Senior Equity Lines of Credit (SELOC) to elders in Berkshire County struggling to maintain their independence in their homes.

In March 2004 the Bank taught the Finance section of the Good Samaritan Homeownership Seminar Series for Berkshire Housing.

Miscellaneous

Berkshire Bank has an active Officer Call Program designed to attract and encourage small business development. The Bank's corporate and small business call program provides direct marketing to business owners from the Bank's commercial lenders and branch managers. As a result of this program, 500 calls were made in 2003 to all areas of Berkshire County and other extended market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

The bank participates with the Federal Home Loan Bank of Boston's Affordable Housing Program (AHP). The program is designed to finance rental housing in which at least 20% of the units are for households with incomes that do not exceed 50% of the median income for the area.

The Bank participates with the Federal Home Loan Bank of Boston's New England Fund (NEF). The program is designed to finance construction of residential housing in which at least 25% of the units are for households with incomes that do not exceed 80% of the area's median income as determined by HUD.

In 2003 the Bank advanced \$1.7 million to a mixed income development, which consisted of 96 plus housing units and an existing two family home. Of the 96 units, twenty four units will be marketed and sold as affordable housing units.

The Bank continues to market the Berkshire Business Connection, an account offered to employees of its commercial customers. By having their net pay directly to Berkshire Bank they receive a free checking account with no minimum balance, no monthly maintenance fee, unlimited check writing, unlimited ATM access at Berkshire Bank's machines and free initial order of personal checks.

CONCLUSION (Service Test)

As illustrated above, officers and employees of Berkshire Bank demonstrated an excellent level of service activity and involvement in community organizations throughout its assessment area. The Bank's products and alternative banking services are tailored to the convenience and needs of its assessment area including low and moderate-income borrowers. Therefore, a rating of "Outstanding" is warranted.

APPENDIX A - SCOPE OF EXAMINATION:

As of the close of business March 22, 2005, a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination was conducted at Berkshire Bank. The Bank's lending products reviewed at this examination include residential and small business loans.

This evaluation includes a review of the Bank's HMDA reportable loans and commercial lending, specifically, small business loans. The Bank's, HMDA Disclosure Statements (2003), and HMDA LAR (2004) loan origination records provided information on residential mortgage lending and information concerning the Bank's small business lending was obtained from CRA Data Reports.

The Bank's qualified investments were also reviewed and exhibit good responsiveness to credit and community economic development needs.

In addition, the Bank's systems for delivering retail banking services and the provision of community development services were considered.

Berkshire Bank has branch locations in the Pittsfield Metropolitan Statistical Area (MSA) and in the 28 towns in Berkshire County that are not part of any MSA.

APPENDIX B - METROPOLITAN STATISTICAL AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE PITTSFIELD, MA MSA:

This portion of the Berkshire Bank's assessment area includes all towns and cities: Adams, Becket, Washington, Cheshire, Clarksburg, Dalton, Egremont, Alford, Mt. Washington, Great Barrington, Hancock, Richmond, Hinsdale, New Ashford, Lanesborough, Lee, Tyringham, Lenox, Monterey, New Marlboro, North Adams, Pittsfield, Sandisfield, Otis, Savoy, Sheffield, Stockbridge, Glendale, West Stockbridge, Williamstown, Windsor, and Peru. The Bank operates eleven branches within this area. There are 41 census tracts in this area: 1 low-income, 8 moderate-income, 26 middle-income and 6 upper-income. According to 2000 Census information, the total number of households is 55,874. The distribution of households by income level is as follows: 24.8 percent low-income, 16.3 percent moderate-income, 18.8 percent middle-income, and 40.1 percent upper-income. The distribution is almost identical to that for the entire assessment area. The housing stock is 57.0 percent owner-occupied, slightly lower than that of the assessment area. Slightly more than 86 percent of the units are one-to-four family.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PITTSFIELD, MA MSA:

Lending Test

All of the Bank's residential and small business lending activity was focused within this MSA. The Bank's distribution of lending in low and moderate-income areas and its distribution among borrowers of low and moderate-income is identical to that of the assessment area.

The community development loans noted in this report were originated in the Pittsfield MSA. All government sponsored and first-time homebuyer programs are available within the MSA.

Investment Test

Performance under the Investment Test is comparable to performance in the assessment area overall. The majority of the investments and donations were made to organizations located within the MSA or benefited residents of the MSA.

Service Test

Hours and services available at branch offices in the Pittsfield MSA are the same as all other branches. The majority of the community development services that the bank participates in are within the MSA. Several officers or Board members provide community development services to organizations that primarily support individuals and businesses in this MSA.

Overall, the Bank's performance within the Pittsfield MSA is consistent with its overall performance.

APPENDIX C

FFIEC Interagency Core CRA public Evaluation Tables

OVERALL LENDING DATA

Depending on the number of optional loan products being considered in the CRA evaluation, Table 1 can consist of two separate and distinct “sub tables”.

Table 1: Lending Volume

- Presents the number and dollar amount of reportable loans originated and purchased by the institution and its affiliates, if applicable, over the entire evaluation period by assessment area. The deposit data in this table are compiled by the FDIC and are available only as of June 30th of each year.

Table 1: Other Products

- Presents the number and dollar amount of any unreported category of loans originated and purchased by the institution and its affiliates, if applicable, also being considered during the CRA evaluation.

Examples include consumer loans or other data an institution may provide concerning its lending performance.

LENDING PRODUCTS*

Table 2 and 2a: Geographic Distribution ** of Home Purchase Loans

Table 3 and 3a: Geographic Distribution of Home Improvement

Table 4 and 4a: Geographic Distribution of Home Mortgage Refinance Loans

Table 5 and 5a: Geographic Distribution of Multifamily Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.
- Presents the most recent aggregate or market share data available.

* Whenever a table has a column for a “% of Total,” the percentage should be of the total for the *rated area*, not the overall institution.

** None of the tables containing information relating to distribution by income level of geography (Tables 2 and 2a through 6 and 6a and tables 13 and 14) include a column for geographies that have not been assigned an income classification. These are commonly referred to as “NA” geographies. As such, the sum of the distribution in low-, moderate-, middle-, and upper-income geographies in an assessment area may not equal 100 percent. Loans lacking income data are not included in the calculation of the distribution by income level of geography.

Table 6 and 6a: Geographic Distribution of Small Loans to Businesses

- Shows the percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of businesses (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 7 and 7a: Geographic Distribution of Small Loans to Farms

- Shows the percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of farms (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 8 and 8a: Borrower Distribution of Home Purchase Loans

Table 9 and 9a: Borrower Distribution of Home Improvement Loans

Table 10 and 10a: Borrower Distribution of Home Mortgage Refinance Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each assessment area.
- Presents the most recent aggregate or market share data available.

Table 11 and 11a: Borrower Distribution of Small Loans to Businesses

Table 12 and 12a: Borrower Distribution of Small Loans to Farms

- Compares the percentage distribution of the number of small loans (for businesses, less than or equal to \$1 million; for farms, less than or equal to \$500 thousand) originated and purchased by the institution and its affiliates, if applicable, to businesses or farms with revenues of \$1 million or less to the percentage distribution of businesses or farms with revenues of \$1 million or less or.

- Presents the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, by loan size, regardless of the revenue size of the business or farm.
- Presents the most recent aggregate or market share data available.

Table 13: Geographic and Borrower Distribution of Consumer Loans

- For geographic distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies with the percentage distribution of households within each geography.
- For borrower distribution compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each assessment area.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (24 North Street, Pittsfield, MA 01202)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.